TOP CEOS, FINANCIALIZATION, and the CREATION of the SUPER-RICH ECONOMY

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Abstract **This piece takes a close look at top CEOs in the United Kingdom. CEOs are not only among the ranks of today's super-rich, they have played a vital part in the evolution of an economic system that supports the super-rich generally. As the article argues, they have done this in two key ways: first, by promoting to news media and policy makers a set of financialized free-market ideas about managing the economy, and second, by managing large companies as financial assets for the benefit of financiers and the super-rich. In both ways, they have encouraged financialization and the funneling of capital away from the real economy and ordinary employees, and upward toward the super-rich. The article is based on thirty interviews with top UK business leaders, including twenty Financial Times Stock Exchange 100 CEOs, as well as other demographic and qualitative data.**

Keywords **financialization, elites, corporations, financial markets, CEOs**

This article looks at large company CEOs in the United Kingdom. Not only are such "captains of industry" members of the super-rich, but they have played a vital role in the creation of the economic system that supports the super-rich. They have done this in two ways: by publicly and privately promoting neoliberal market philosophies that facilitate financialization and extreme inequality, and by managing major corporations as financial assets and investment vehicles for wealthy investors rather than for the benefit of the wider economy. As such, they have been key architects of a system

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that increasingly sucks capital out of the real economy, away from ordinary citizens, to then syphon it off to financial institutions and the super-rich.

In many ways, big company bosses are the public face of the super-rich. After several decades of neoliberal economic policy making, we appear to be entering a new gilded age of corporate behemoths, billionaire businessmen, and extreme inequality. Then as now, vast personal fortunes were built on the back of industrial monopolies. Then, it was the likes of Andrew Carnegie, John D. Rockefeller, Andrew Mellon, J. P. Morgan, and Cornelius Vanderbilt. Now, it is Jeff Bezos, Mark Zuckerberg, Bill Gates, Carlos Slim, and Amancio Ortega. Such business leaders are seen as drivers of the capitalist economy in all its historical manifestations. Corporate CEOs have created such economies while also profiting hugely from them.

However, in today's gilded age the economic system, and therefore the basis of extreme wealth and inequality, are different. Instead of big industrial companies producing energy, commodities, and transport, an increasing proportion of corporations and billionaires profit from not making anything. It is financiers, investors, rentiers, and the new owners of digital platforms who are profiting most (financiers also did well in the first gilded age). Financialized (Krippner 2011) and “platform” (Srnicek 2017) forms of capitalism sit at the heart of modern economies and growing income inequality. Such systems are far more detached from the real economy of goods, physical infrastructure, and employees. They are less nation bound and more global and mobile. States and real economies depend on them, but they have less dependence on states and real economies. In fact, they provide the kinds of extensive, global infrastructures and networks needed for extracting national capital, funneling it toward and then securing it for the global super-rich.

Although CEOs play a vital, creative role in developing and managing the new super-rich economy, relatively few end up joining their ranks through their managerial salaries alone. Most of those that do, do so through other means (inheritance, shares, financial investments, property). The majority, although highly rewarded, do more to enrich others: a variety of financial elites, oligarchs, corrupt politicians, and property magnates. In fact, key corporate figures, including many with high public profiles, increasingly appear to be subservient agents of big finance and the super-rich.

This article explores the contribution of top CEOs to this billionaire-generating system. While there is quite a lot written on this topic, much of it is based on quantitative data on capital shifts or company reports. There remains relatively little in the way of more close-up, qualitative academic studies of CEOs, which seek to explain these developments at a more micro level. This article attempts to fill in some of this gap with a focused social and cultural investigation of UK Financial Times Stock Exchange (FTSE 100) CEOs. It draws on three forms of evidence. The first is a set of thirty semistructured interviews with top CEOs: twenty from FTSE 100 companies and, for comparison, ten selected from a list of the top one hundred private companies. The second is a demographic audit of all FTSE 100 CEOs in 2014, drawing on multiple sources. The third is an analysis of trends revealed by existing surveys of British CEOs going back to the 1970s.

The article is in four parts. The first discusses key mechanisms of the UK economy that support the super-rich, situating FTSE 100 CEOs within that system. It argues that the generation of extreme wealth and inequality is more a result of financialization than neoliberalism. Corporate heads have come to play an important intermediary and facilitating role in the financialized economy. The second part looks at the ways CEOs have done this, focusing on their personal promotion of financialized capitalism. On the one hand, they are the public face of the economy, the "primary definers" (Hall et al. 1978) of wealth creation in the media. On the other, they influence government policy making as they alternate between financial and political networks, providing vital connectivity between the two.

The third part looks at the reshaping of CEOs themselves by tracing how their professional profiles have changed with the advance of financialized capitalism. This reveals that, over recent decades, those who have risen to the top are those most equipped to direct companies toward serving "shareholder value." This new generation of CEOs are more likely to be drawn from finance and accounting, and they also now operate according to an expectation of shorter leadership tenures. So, they are more able and more incentivized to achieve quick profits for wealthy investors with limited investment horizons. The fourth part documents some of the key business strategies adopted by such FTSE CEOs, arguing that they are increasingly geared toward advancing share price increases rather than long-term company innovation, employment, and stable growth. In effect, they have come to manage large corporations as if they were merely the financial assets and investment vehicles of super-rich investors.

CEOs and the Super-Rich Economy

Historically and now, large company CEOs have been closely associated with the super-rich. They are both very wealthy and key participants in capitalist democracies in all their manifestations. In classic and post-Marxist accounts, those owners and managers of the means of production have worked closely with the state to maintain wealth and control. In critical elite studies (Mills 1956; Domhoff [1967] 2014; Useem 1984; Scott 1979), corporate elites and business leaders shared power with other elite sectors to ensure their hegemony in the United States and United Kingdom.

It is also widely assumed that corporations and their CEOs have played a lead role in the rise of neoliberalism since the late 1970s (Crouch 2004, 2011; Harvey 2007; Mirowski and Plehwe 2009). Neoliberalism has several elements (see Larner 2000). It is a political project and policy framework derived from a broader set of ideas and values oriented around individual freedoms and choices. It is also an economic paradigm linked to neoclassical economics, which emphasizes market mechanisms over state ones for social and economic management. In practice, it has directed a set of political and economic policies across the world, which are closely associated with growing inequality (see Chang 2010; Wilkinson and Pickett 2010; Piketty 2014). These include supply-side measures such as low taxes and less regulation, monetarist policy levers over fiscal ones, programs of privatization and market deregulation, reduced employee and union rights, scaled-down welfare state provision, globalization, and open trading borders.

Although neoliberalism has been applied quite differently and to different degrees across the globe (see Fourcade 2009), inequality has continued to grow everywhere (Piketty 2014). In fact, historical data show that the Gini coefficient, an inequality measure that had been declining steadily in the postwar period, went into reverse in the United States and United Kingdom at the end of the 1970s. This was precisely the time that the neoliberal policy era began implementation under the Reagan and Thatcher regimes. Despite a number of economic crises, inequality and the ranks of the super-rich have continued to increase ever since (see Hardoon 2017; UBS-PwC 2017).

Clearly, big business and big business leaders have benefited from programs associated with the neoliberal turn, including privatization, deregulation, the erosion of trade union rights, reduced rates of taxation for both corporations and high income earners (see Crouch 2011; Freeland 2012; Wedel 2014). Average CEOs have done extremely well financially over this period. In 1979, mean US CEO pay was thirty-eight times that of the average worker. By 2005 it was 262 times (Palley 2007: 14). In the UK, in 1998, FTSE 100 CEO pay was forty-seven times that of the average employee. By 2012 it had reached 185 times average (High Pay Commission 2012). Take a look at any list of the ultra-wealthy, in the *Sunday Times Rich List* or *Forbes's World's Billionaires List*, and corporate heads feature prominently.

However, the focus of many critical scholars on neoliberalism has distracted from another key economic transformation: financialization. Financialization and neoliberalism are clearly related and are frequently discussed as either mutually reinforcing or having a direct causal link (e.g., Duménil and Lévy 2004; Epstein 2005; Lazzarato 2009; Fine 2012). However, financialization has many distinct elements (see Davis and Walsh 2017). Most importantly for this discussion, several such elements have proved essential for the rapid growth of the super-rich class. Arguably, it is financialization rather than neoliberalism that has done most to create extreme inequalities and the rising number of global billionaires.

Financialization, in Thomas Palley's words (2007: 2), "is a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes. Financialization transforms the functioning of economic systems at both the macro and micro levels." At the start of this century it was becoming clear that a process of financialization had been taking place in conjunction with the spread of neoliberal-driven free-market economics (see Engelen 2008). Several overviews (Epstein 2005; Palley 2007, 2013; Stockhammer 2010; Krippner 2011) recorded how this transformation has taken place in the United States, United Kingdom, and elsewhere, tracing patterns of capital accumulation as they shifted toward the financial sector.

Most obviously, financial market activities and values have grown hugely relative to both the state and the real, productive economy of goods and services. Thus the capital managed by banks, as well as their ability to create credit, has risen several fold compared to state expenditures, the capital of central banks, or national gross domestic products (GDPs.) The United Kingdom is one of the countries where the shift has been particularly pronounced in recent decades. Until the 1970s, UK bank assets had been equal to roughly half the value of UK GDP for a century. By the mid-2000s, they had risen to five times the value of GDP (Haldane 2010). In 1979, the equity value of the stock market was roughly two-fifths of government income. By 2012 it was worth three times government income (see Davis and Walsh 2017). According to John Kay (2016), currently some 97 percent of "money" in the UK economy is just circulating around the financial sector. Only 3 percent is either fiat (paper) money or capital lent to firms and individuals operating in the material economy.

In effect, processes and institutions associated with financialization are geared toward extracting capital out of the real economy and from ordinary people, then passing it to be managed and invested by financial institutions and the super-rich. Banking becomes less about capital investment in nonfinancial companies, or ordinary savings and loans. Instead, it is more about short-term profit seeking through activity within financial, property, and other markets. Large NFCs (nonfinancial corporations) are increasingly run to create "shareholder value" by any means, including through purely financial activities (see Crotty 2005; Froud et al. 2006). Financialized economies actively enroll citizens into finance (see Seabrooke 2006; Leyshon and Thrift 2007; Lazzarato 2012) through a mixture of personal credit card and mortgage debt, investment of public pension funds, and securitization. Financial intermediaries then enable rentier behavior and global tax avoidance and evasion on behalf of the global super-rich (Epstein and Jayadev 2005; Shaxon 2011; Piketty 2014).

However, although many large company CEOs have been made wealthy through financialization, others have benefited more. Yes, there are many super-rich business leaders with high profiles. However, there are many more billionaires who have inherited their wealth or gained it through political corruption, financial investment, or rentier activities. CEOs may earn millions and be the object of tabloid outrage for their incomes, but top financiers and super-rich investors earn tens or hundreds of millions annually. Of the twenty best-paid FTSE 100 bosses in 2017 (*Business Insider* 2017), only two made it onto the *Sunday Times Rich List* (2017): Martin Sorrell, the highest paid, came 258th, and Simon Borrows came 484th. As recent accounts of elites note (Savage and Williams 2008; Freeland 2012; Davis and Williams 2017), it is the financial sector that has provided the fastest contribution to the growing ranks of the global 1 percent (or 0.001 percent) and has boosted the expanding rentier class (Duménil and Lévy 2004; Piketty 2014).

At the same time, traditional CEOs have fallen down the elite pecking order in various ways (see Moran 2008; Mizruchi 2013; Naim 2013; Davis and Williams 2017; Davis 2018). They have become more fragmented and less collective, and their levels of influence in Washington and Westminster have declined. There is a clear sense that the dominant CEOs of the recent past now have far less political power and economic authority than they once did. Top financiers, a select group of tech industry leaders, and the super-rich have taken their place.

This leaves us asking, what exactly is happening at the social and organizational levels? How have CEOs as individuals shifted their professional behaviors and practices in ways that, almost imperceptibly, have aided the expansion of big finance and boosted the ranks and incomes of the super-rich? The question has added bite because it also needs to explain how corporate CEOs have colluded in a process that has rewarded and given more power and influence to others.

This is the question addressed in the following investigation of UK FTSE 100 CEOs. Most of the largest UK-based companies are listed on the London Stock Exchange. In the financialization literature, it is these companies, as opposed to those owned by individuals or funded by conventional banks, that have been most systematically affected by the demands of the global financial system.

The research drew on three main forms of qualitative data on the UK business elite in 2014. The first was a series of semistructured interviews with thirty large company heads: twenty public FTSE 100 CEOs and, for comparison, ten CEOs of private *Sunday Times* Top Track 100 Companies, as ranked by sales. Each group was selected as a purposive sample, reflective of the distribution of industry sectors in the index (e.g., manufacturing, finance, construction, retail).[1] Interviewees were asked about a number of themes, including their background and education, social relations and professional networks, information sources and decision-making processes, larger business strategies, and wider views on and relations with nonbusiness sectors (government, the financial sector, media, unions, and communities). Interview lengths varied, with most being forty-five minutes to an hour. In total, they generated over 250,000 words of transcript material. This was then coded and aggregated. Interviewees are named unless anonymity was requested. The sample of thirty is relatively small, although it is also an extremely difficult group to gain access to with a limited pool of potential subjects. At the same time, with such a small number, the data are less likely to be representative and to contain more instances of bias. Thus the findings have limitations while also providing some directions for further research.

The second form of data consisted of an audit of demographic and biographical information on all FTSE 100 CEOs in their posts in mid-2014. Sources were mainly individual profiles from *Who's Who*, *World of CEOs*, *Bloomberg*, and *Business Week*. Information collected included school education, higher education, postgraduate qualifications, nationality, and tenure of CEO position. The third form of data was a collection of past social studies and surveys of CEOs going back to the early 1970s.

FTSE 100 CEOs as Promoters of Financialized Capitalism

First, there is quite a bit of evidence to show that large UK company CEOs support neoliberal policy agendas in general, and the Conservative Party more specifically (Fidler 1981; Hill 1990; Boswell and Peters 1997; Davis 2002, 2017). Periodic surveys show they have united around an antistate, promarket ideology, promoting privatization, competition, deregulation, lower taxes, reduced union and labor rights, globalization, and free trade. In election data going back to the 1980s, the percentage of "captains of industry" voting Conservative has been over 85 percent, with the exception of 1997 when it was 69 percent (Davis 2017: 239).

The interview cohort, both public and private, appeared to reflect this pattern accurately. Twenty-seven of the thirty made two or more statements of a promarket, antistate nature. In terms of party allegiances, four-fifths were Conservative Party supporters. This came out in a mixture of public statements and direct interview responses. The alignment of the remaining fifth was not clear.

FTSE 100 CEOs have been vociferous promoters, not always consciously, of financialized forms of neoliberalism. While publicly and privately supporting free markets and reduced states, they have also supported and/or colluded in a series of economic policy shifts that have aided financialization's growth. By pushing market deregulation, new accounting practices, globalization, and free trade generally, they have spurred on financial engineering, capital concentrations, and global liquidity, all vital to financialization's rise. Their cooperation with political and financial elites on a number of changes in corporate governance, privatization methods, takeover regimes, and fiscal practices have handed more wealth and influence over to big finance and the super-rich (Davis and Walsh 2016).

FTSE 100 CEO support for the neoliberal policy agenda has come in several forms: via public promotion of financialized, free-market economic policies in mainstream media; through funding of and direct access to the Conservative Party; and by forming a vital bridging network between financial and state elites.

Public promotion of financialized free-market policy has come through business and financial media. Studies of news content in the 1970s and 1980s (Hall et al. 1978; Glasgow University Media Group 1980) found that business leaders and government sources dominated coverage of economic affairs in mainstream news. They acted as the primary definers, framing public debates about industrial action and economic policy. Business voices, especially those of CEOs and City-based analysts, came to dominate all the more from the 1990s onward as the public relations and investor relations industries expanded (Parsons 1989; Davis 2002). Since the 2007–8 crash, CEOs have continued to use their primary definer status in economic and business news to support welfare state cuts, reduce corporate taxes, and weaken new business and financial regulations. They have also blamed government and the Labour Party, rather than financiers, for the economic crisis (Davis 2011; Knowles 2015; Berry 2016). Their support for such policies and austerity economics was evident during the 2015 and 2017 elections, encouraging a public perception that the Conservatives were far more economically competent than Labour.

Second, as Michael Moran (2008) points out, business leaders have maintained direct forms of personal political influence through the Conservative Party, even as other forms of collective business influence have declined (Daguerre 2014). Studies of parliamentary candidates and MPs consistently show that people from business and finance make up by far the largest proportion of the Conservative Party (Norris and Lovenduski 1997; Childs, Lovenduski, and Campbell 2005). Wealthy business and financial donors also contribute the great majority of party funds. Business lobbyists continue to gain greater access to ministers and civil servants than other sector interests (Mitchell 1997; Miller and Dinan 2008; Wilks-Heeg, Blick, and Crone 2012).

Third, what became increasingly apparent during the interviews was the high level of networking and meetings that FTSE 100 CEOs had with both financial and political elites, especially when compared with the private company CEO cohort. Private company CEOs were far less London based, spoke little about such networks, and were rather less likely to have regular dealings with civil servants, ministers, and big investors. In contrast, most FTSE companies have either their head offices in London or large permanent bases there. Most FTSE CEOs were self-confessed "networkers," devoting a large part of their time to meeting leaders at different levels of government, business, and finance. In effect, FTSE CEOs were very much part of metropolitan-based, national, and international networks of corporate and noncorporate elites:

Stephen Hester: I've always been in international businesses that deal with lots of other businesses, and deal with government and so on and so forth. . . . It's reinforced, because, well, there's pure work and then there's what I call social work, which is cocktail parties and CBI meetings and international conferences and so on, where you meet people in a sort of quasi-social setting.

FTSE 100 chiefs regularly moved between big investors and government policy makers and regulators. As they alternated between the City (the financial sector) and Westminster (the political sector), they established a sense of network connectivity between the two. So, on the one hand, they talked of needing to meet major shareholders to agree on corporate investment, strategy, and financial goals:

Paul Walsh: But ultimately the final judge of whether it's the right thing to do is the shareholders.

Ian Cheshire: But above all else just tell the owners of the business [investors] what you're doing and why.

On the other hand, they came into frequent contact with ministers, civil servants, and others in government. This would be for a variety of reasons: direct lobbying, negotiations with regulators, social invitations, and being volunteers for government-organized task forces or policy communities. Much of this, although regular, was informal and ad hoc, taking place instead of formal board meetings, often on the basis of CEOs advising ministers on economic policy matters:

Paul Walsh: There are so many groups that need to be paid attention to, be it governments, regulators.

Ian Cheshire: I do work for the Department of Work and Pensions. That is an extraordinary network of very senior business people who are interested in government, who meet quarterly, which Lord Brown organizes.

In effect, FTSE heads made up a key communicative network, at one end being directed by financiers, and at the other promoting free-market wisdoms to policy makers—wisdoms that also enable those CEOs to achieve their financier-agreed goals. Mairi Maclean, Charles Harvey, and Gerhardt Kling (2014), when looking at French business elites, detected a higher, more powerful and exclusive group that they referred to as "hyper-agents." These agents or "bridging" actors, they argued, were central players moving across multiple networks of elites, thus playing a key role in maintaining the French establishment status quo. Arguably, FTSE 100 CEOs play a similar role in UK politics and economics. They provide a fundamental level of connectivity, formal and informal, between big finance and big government. In so doing they have not only encouraged the evolution of a neoliberal, free-market policy process that has advantaged international finance, but they have reified certain financialized forms of economic management in the eyes of successive governments. Thus in the United Kingdom, as with the United States, financial markets have come to be regarded as the best institutional centers for managing the economy generally: as investors, promoters of market competition, corporate governance enforcers, and so on.

The Financialized CEO

As this next part argues, successful FTSE 100 company CEOs have also adapted to financialization in terms of their professional identity and function. They have become less diverse in their educational backgrounds. In particular, there has been a clear growth in those who have studied accounting and/or taken the finance route to the top. They have also come to operate under an assumption that they are likely to be in a post for a relatively short period. Thus, they have been reconditioned to achieve results within two- to three-year accounting cycles.

In general, there has been a longer trend toward professionalizing the CEO occupation. Going back four decades, CEOs had a greater variety of educational backgrounds, coming from science, engineering, the social sciences, and professions such as law. In 1974, only 7 percent had some kind of business degree. In Mairi Maclean, Charles Harvey, and John Press's study (2006) using 1998 data, the trends showed that roughly a third of CEOs had a business-related degree, a third a science one, and a third had something from the arts, social sciences, or professions. Moving to the present, the 2014 audit of FTSE 100 CEOs shows that 48 percent have a first degree in business studies, economics, or a related subject. Sciences and engineering have dropped a bit, and all other subjects now make up only 15 percent of degrees. In effect, creative and critical higher education subjects have been minimized among today's business leadership.

Most significant has been the rise of financial over all other forms of expertise among top CEOs. In John Fidler's (1981: 102) study, using 1974 data, 18 percent gained an accounting qualification, and just 10 percent had taken the finance route to the top. Maclean, Harvey, and Press (2006: 131), using 1998 data, found that 27 percent had come up through the finance and accounting pathway. In my 2014 demographic audit, many of those with professional, business-oriented degrees included curriculum elements of finance or accounting. Twenty-six percent had a higher education accounting degree or other qualification, with 12 percent having worked at one of the big four international accounting firms. Fifty percent of CEOs had held at least one senior financial position (e.g., finance director, CFO) during their career pathway prior to becoming a CEO. Fifty-three percent in total had accounting and/or finance included in their professional qualifications and/or pathways.

The interview cohort of thirty matched this pattern, considerably more so for the FTSE 100 respondents than the private company cohort. Seventeen of the twenty FTSE 100 chiefs had economics, accounting, or related degrees and/or an MBA. For those listed company CEOs, the accounting and finance route was clearly a common pathway to follow:

David Nish: Chartered accountancy training to me I think is really one of the best professions to go into, because of the opportunity you do get to access business. You know, and in some ways, particularly through initially the auditing route, you actually get to access business at a reasonably high level quite quickly.

Second, what became clear during the research was just how much CEO tenures had declined in such large international corporations. Chrystia Freeland (2012: 53) noted that the average tenure of a Fortune 500 CEO had fallen from 9.5 years to 3.5 over a decade. Several interviewees commented on this, and the 2014 audit confirmed it. A third of FTSE 100 CEOs had been in their posts less than two years, and another third less than five years. Private company heads, in contrast, seemed to have been in post for twice as long on average. The longest-serving PLC heads were usually those who had started the business themselves, like Martin Sorrell or Ian Wood. This sense of short-term existence was clear to those who were interviewed, especially in relation to justifying their huge pay levels and bonus systems:

Martin Sorrell: One of the problems is that CEOs last on average at the moment less than five years and if you're a CMO [chief management officer] in America you might last two years.

This has consequences for FTSE 100 CEO behaviors. Indeed, the interviews revealed a clear sense of the pressures felt to achieve short-term profits and share price increases in limited time spans. CEOs in general, private or public, talked about balancing long-term and short-term goals, but private heads all strongly emphasized the importance of the long-term. Most said they made only "long-term decisions," promoted the "steady, continuous building up" of a company by, for example, developing settled teams, investing in employee training and research. In contrast, many PLC heads talked about the impatience and "blind short-termism" of big shareholders, and the pressures to pay dividends or "gear up" (use debt finance to purchase assets):

Warren East: The fund manager is completely motivated by delivering the best possible return for this year, and if the companies which deliver that best possible return this year aren't around next year, that doesn't matter. . . . It means that there is pressure to do sort of short-term things which, from a business point of view, are not sustainable. . . . I've had investors request a one-on-one meeting with the CEO and sit me down and say: "You should be leveraging up the balance sheet and taking on lots of debt."

Such answers confirmed the findings of other studies that argue that London Stock Exchange quoted companies have become overly focused on short-term share movements (Froud et al. 2006; Kay 2012; Cox 2013). Since funds hold shares for ever shorter periods, this is no surprise. The average length of time by which a share is held has dropped from eight years in the 1960s to just three months this decade (High Pay Commission 2012). Another study of FTSE 100 annual report statements on CEO performance and pay (High Pay Commission 2013) found that ninety-six of them used either EPS (earnings per share), TSR (total shareholder returns), or both as key performance measures. Only thirty-eight used "alternative" nonfinancial measures such as employment retention or customer satisfaction or innovation in their performance metrics, and only seven contained LTIPs (long-term incentive plans).

What was concerning in the interviews was that several respondents were simultaneously aware of these short-term pressures while also admitting that figures could be simply manipulated over a two- to three-year period:

Anonymous FTSE 100 CEO: When people only focus short term then they start hiding stuff as well. Give me a balance sheet or short-term incentives, short term sales . . . I'll change it for your assumptions, I'll get you a twelve-month result, a piece of cake. It's going to burn me next year, or maybe in two years' time or as long as three, but any idiot can get a short-term result.

This combination of short-termism, ability to manipulate accounts, and the expectation that one's tenure was unlikely to be long, had obvious implications for CEOs. The clear message was that corporate heads were personally incentivized to maximize short-term performance on behalf of big investors, regardless of the long-term consequences for the company or employees. As one interviewee put it:

Samir Brikho: You read about the average CEO and the businesses is like almost becoming three years. And if that's the case, it's bad news for the industry. . . . If you don't spend it on the R and D then you can convert that to profit. That's great if you are there only two or three years but do you kill the company maybe later on. . . . So, if I'd been optimizing only for the first two years in order to make the big buck at the third year and then thank you very much and bye, that would not be great for the company's future.

Financialized Management Strategies and Decision Making

How do CEOs manage their companies to achieve big investor demand for short-term share price rises? All interviewees, private and public, were asked about their larger business strategies and the processes they used for making major decisions. The discussions revealed several approaches. These fell into two categories. The first involved directing regular mergers, acquisitions, asset sales, and other activities that were designed to keep up shareholder interest and company share values. The second guided companies away from risky innovations and long-term investments, instead orienting them toward maximizing low-risk profits. In effect, FTSE 100 CEOs had adopted a series of strategies designed to manage financier and super-rich capital investments to gain short-term returns without taking on longer-term risks and liabilities.

The first strategy involves maintaining what Peter Folkman et al. (2007) term an "economy of permanent restructuring." As they and others have noted (Froud et al. 2006; Kay 2012; Cox 2013), successful publicly listed company CEOs continually enter into big change activities and financial deal making. Activities include using debt finance and leverage, merger and acquisition activity, asset sell-offs, equity buy-backs, and global tax avoidance.

Several FTSE 100 heads interviewed, especially those who had held their position for more than a few years, appeared to conform to such patterns. They had long track records of doing big deals and large-scale restructuring. Half had done multiple mergers and acquisitions, and two-thirds had made major disposals. Such activity grows and reshapes a company in quick, large steps rather than expanding it steadily and organically. It is the kind of activity that maintains investor interest, boosts share prices, and brings profits to a range of financial intermediaries and institutional shareholders. This is despite the fact that most studies of takeovers find the large majority do not add value in the long term to a company (Sudarsanam 1995; Hutton 1996; Bootle 2009). For some CEOs, all this activity was clearly connected to their success and longevity in post:

Gareth Davis: The Harvard Business Review quoted me as being the thirty-third most successful CEO of all-time, recently, in terms of value creation for shareholders . . . obviously people say you made a lot of money for the institutions. . . . We did two mega deals. There was one in 2002 and one in 2008. I mean they were multibillion deals with associated rights issues and everything. But I think we did twenty-six in all.

Accordingly, the London Stock Exchange is now regarded as one of the top exchanges to float new companies and carry out demerger and merger activity. Since the 1980s the United Kingdom has had a significantly higher level of takeover activity than other advanced economies (Jackson and Miyajima 2007). From 1998 to 2005, takeover activity as a percentage of GDP was 21.8 percent, double that of the United States where it was 10.7 percent. The United Kingdom also had the highest success rate for hostile takeovers at 67 percent (Jackson and Miyajima 2007). Several CEOs commented on the general pressure from investment banks and large investors to get involved in such activities in the London Stock Exchange:

Anonymous FTSE 100 CEO: There is so much pressure to do deals in London, more than anywhere else in the world. The banks, the brokers, the PRs, they all make money from these deals. The UK is unique. I never did these deals unless I was convinced it would help me and I did do some 100 deals at ——. If you don't deal you get a reputation for being "dull." . . . The long-term economy will not have [benefited]. It's only the shareholders and the institutional intermediaries that would.

The second general strategy involved guiding the company away from higher risk practices of innovation and long-term investment. Instead, FTSE CEOs preferred to exploit their size and position, existing products and customer bases, and to seek out monopoly opportunities. Such approaches, once again, are inherently short term in nature and are geared to gaining greater returns on capital rather than developing anything new or long term.

This first became clear when comparing attitudes toward "risk" during decision making between PLC and private company CEOs. Both sets were cognizant of risk. However, private CEOs talked in terms of needing to take "measured risks," with several advocating sensible risk taking as being necessary for innovation in business. PLC heads, on the other hand, talked a lot about risk but did so far more in defensive terms. They talked about needing to make risk "evaluations" or "audits" before making big decisions, and the need to implement risk reduction strategies. The term *risk* was rarely mentioned by private company CEOs but over one hundred times in the twenty interviews with FTSE 100 bosses.

This sense of risk in making decisions seemed to feed directly into larger company strategies. Private heads thought about long-term plans and investment. They looked to a range of sources for new business inspiration, from news and popular culture to businesses in very different sectors. In contrast, FTSE 100 heads tended to be more managerial than entrepreneurial, more influenced by business consultancy literature, and more insular. When asked about their sources of inspiration, it was clear they spent a lot of time observing and talking to other business leaders in their own sector. Rather like financial investors whose trading decisions are based on what other traders are doing (Keynes 1936), PLC chiefs keep a close eye on their competition.

A third, when asked about strategy and innovation, said they much preferred to "steal ideas" or be a "fast follower" rather than an innovator. As they explained, new ideas were hard to come by, true innovation was risky, and the window of exclusivity was now much shorter as rivals copied you. Such a finding tallies with one UK study (Ownership Commission 2012: 35) which found that 75 percent of managers would avoid investing in projects with potential long-term value creation if they were damaging to short-term earnings. As one interviewee explained:

Alan Parker: We went through a big investment in enterprise-wide systems, which frankly turned out to be not best in class for our various activities. And I would say from that experience . . . I would definitely always want to see it working elsewhere. Rather than paying the price of being a leading-edge innovator, I'd much rather be a fast follower.

What also came through was a sense of exploiting existing resources, advantages, and market dominant positions. So, a very common business strategy involved better utilizing of existing resources, products, and customers. Thus the aim was to do "the same things better," "more cheaply," or with minor variations, rather than developing risky new products. Very often, the aim was to "protect margins" or "offer more to the same customer base." Three-fifths of interviewees talked about such cautious, low-risk strategies:

Terry Leahy: The common denominator for us was actually if we keep the same customer set, can we serve that same customer set with a wider range of services as well as products? And actually, we were able to do it. . . . If you can find out something that works and keep doing it for as long as possible, then that's the way to build really big numbers, big benefits.

Two-fifths of FTSE 100 CEOs followed this logic further, stating that the best way to gain strong profits was to gain and exploit a leading market position. This entailed moving into sectors where a company could use its size and resources to quickly become one of the dominant players. The best low-risk, high-return strategy of all was to gain a monopoly situation in a market, something a handful of CEOs openly admitted was a goal:

Guy Berruyer: Yes, if you want to be highly successful and very profitable, you might as well find a way to get sort of a micro monopoly, because that's the best way to be highly profitable. . . . Every market is highly competitive, so how do you protect your margins, how do you make sure that you make money? And there's various ways, but the best way is to create a micro monopoly.

Ultimately, most FTSE 100 CEOs followed two overall strategies (sometimes simultaneously), both of which were aimed at pleasing wealthy and institutional investors over relatively short-term horizons. One involved big eye-catching activities, such as acquisitions or asset sales, which maintained investor interest and pushed share prices up in the short term (although often not in the long term). The second involved decisions that were defensive and risk averse, and more about exploiting existing size and assets and gaining dominant market positions to increase profits. Neither involved much in the way of innovation or long-term investments. The end impression was of CEOs managing large organizations as financial assets on behalf of big investors over limited time spans.

Conclusion

FTSE 100 CEOs in the United Kingdom are clearly part of the current economic system that produces extreme wealth and inequality. They are the very public face and cheerleaders of that system. However, as this article has shown, they are more likely to be rich than super-rich. Their main function has been to facilitate financialization and the mechanisms that produce and sustain such inequalities. Although well rewarded for their part in this transition, in the process they have done more to increase the wealth and influence of others.

In some respects this makes them atypical of an emergent class of very powerful and super-rich CEOs who both manage and maintain substantial shareholdings in transnational companies. Figures, from Jeff Bezos and Mark Zuckerberg to Bernard Arnault, Amancio Ortega, and Jack Ma, have merged power, wealth, and management. In other regards, FTSE UK corporate heads are typical of the larger mass of ordinarily rich managers who manage capital and assets on behalf of the super-rich class in the era of neoliberal and financialized capitalism. In Gerard Duménil and Dominique Lévy's (2018) historical overview of managerial capitalism, they remain very much intermediaries operating on behalf of the super-rich capitalist class, rather than being part of that class.

The piece then went on to explore the ways this transition has been put into effect at a more micro, sociocultural level in the UK case. Three important social mechanisms were set out to explain this. First, FTSE 100 chiefs have become lead promoters of financialized forms of free-market thinking. They have pushed their views through public media as well as through private elite networks spanning political, financial, and other super-rich elites. In effect, they have maintained vital connectivity between wealth, finance, and politics.

Second, they have adapted professionally to better service the expectations of wealthy investors and financial institutions. Thus they have become more financially expert, as a growing number have accounting qualifications and/or have worked in finance departments. That knowledge, combined with shortened CEO tenures, has worked to orient corporate behavior more toward limited, financially oriented horizons.

Third, successful business leaders have adopted strategies that do more to please big investor demands in the short term than to develop companies successfully or sustain working populations in the long term. These alternate between continual deal making to boost share prices and seeking out low-risk market opportunities, such as copying successful rivals and developing monopolies. Consequently, CEOs have moved from being key drivers and beneficiaries of neoliberalism to becoming intermediaries for financialization and servants of the super-rich.

Note

1. For FTSE 100 public limited company (PLC), the sectors were Finance (four interviewees), Utilities (two), Media/IT (two), Pharmaceuticals (one), Mining (two), Consumer (three), Property (two), Manufacturing (two), and Supermarkets (two). For top one hundred private companies: Retail (two), Utilities (two), Construction/Engineering (one), Wholesale/Distribution (one), Manufacturing (one), Food Production (one), Entertainment (one), and Finance (one).

Interviews

Guy Berruyer, CEO, Sage, August 29, 2014.
Samir Brikho, CEO, AMEC, April 1, 2014.
Sir Ian Cheshire, CEO, Kingfisher, January 10, 2014.
Gareth Davis, chairman, William Hill; chairman, Wolseley; chairman, D. S. Smith; former CEO and chairman, Imperial Tobacco, 1996–2010, June 27, 2013.
Warren East, former CEO, ARM, 2001–13, February 5, 2014.
Stephen Hester, CEO, Royal Bank of Scotland, November 14, 2013.
Sir Terry Leahy, former CEO, Tesco, 1997–2011, July 15, 2013.
David Nish, CEO, Standard Life, July 24, 2014.
Alan Parker, chairman, Mothercare; former CEO, Whitbread, 2004–10, July 17, 2013.
Sir Martin Sorrell, founder and CEO, WPP, September 11, 2014.
Paul Walsh, CEO, Diageo, August 28, 2013.

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